

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT

JUNE 30, 2010

**Report
of
Examination**

C O N T E N T S

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INDEPENDENT AUDITOR'S REPORT

January 11, 2011

To the Board of Directors
Marshall County Emergency Communication District
Lewisburg, Tennessee

We have audited the accompanying financial statements of Marshall County Emergency Communications District, a component unit of Marshall County, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marshall County Emergency Communication District as of June 30, 2010, and the results of its operations and cash flows of its proprietary fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We

have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2011, on our consideration of Marshall County Emergency Communication District's internal control structure over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Marshall County Emergency Communication District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Parsons and Associates

Parsons and Associates

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

Our discussion and analysis of the Marshall County Emergency Communication District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the District's financial statements.

FINANCIAL HIGHLIGHTS

The District's ongoing sources of revenue are telephone service charges and interest. This revenue totaled approximately \$478,262 in 2010 representing a 2.8% decrease over 2009. Total expenses were approximately \$320,061 for the year, which was a 4.8% decrease over 2009. The District continued to upgrade its communications equipment with \$31,686 spent on equipment purchases in 2010. Additional equipment is being leased at a cost, in 2010, of \$78,588.

OVERVIEW OF FINANCIAL STATEMENTS

The District's financial statements are comprised of three parts: 1) management's discussion and analysis 2) the basic financial statements, and 3) a supplemental section that presents detailed summaries and schedules of selected financial data. Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the supplemental information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the financial section.

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance.

The basic financial statements provide financial information about the District's operations presented in the same format as a commercial enterprise. These statements report information about the District using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the assets and liabilities, both financial and capital, and short-term and long-term are included. Likewise, all revenues earned and expenses incurred during the year, regardless of when cash is received or paid, are reported.

The basic financial statements of the District include a statement of net assets, a statement of revenues, expenses, and changes in net assets, a statement of cash flows, and notes to the financial statements, which are described as follows:

- The statement of net assets presents the financial position of the District on a full accrual, historical cost basis. This statement provides information about the nature and amount of resources and obligations at year-end.

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

- The statement of revenues, expenses, and changes in net assets presents the results of the business activities over the course of the fiscal year and information as to how the fund equity changed during the year.
- The statement of cash flows presents changes in cash and cash equivalents, resulting from operating, capital and related financing, and investing activities. This statement presents cash receipts and cash disbursements information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.
- The notes to financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the District's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The supplementary information presented by the District includes comparisons of budget to actual revenue and expenses and schedules required to be presented or considered useful to the readers of the financial statements.

FINANCIAL ANALYSIS

The District's net assets were \$1,395,134 at June 30, 2010. Of this amount \$327,003 was invested in capital assets and \$1,068,131 was unrestricted.

Table 1
Condensed Summary of Net Assets
June 30, 2010

Current assets	\$ 1,068,131
Capital assets, net	<u>327,003</u>
Total Assets	\$ <u>1,395,134</u>
Current liabilities	\$ 0
Long-term liabilities	<u>0</u>
Total Liabilities	<u>0</u>
Net Assets	
Invested in capital assets	327,003
Unrestricted	<u>1,068,131</u>
Total Net Assets	<u>1,395,134</u>
Total Liabilities and Net Assets	\$ <u>1,395,134</u>

The \$215,385 increase in current assets is primarily attributable to a \$231,348 increase in cash, a \$16,256 increase in investments, a \$782 decrease in prepaid expense and a \$31,437 decrease in accounts receivable and interest receivable. The net decrease in capital assets of \$58,290 was due to assets purchased during the year less asset retirements of equipment no longer serviceable less depreciation taken.

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

**Table 2
Condensed Summary of Changes in Net Assets
Year Ended June 30, 2010**

Revenues:	
Operating revenues	
Telephone service charges	\$ 445,693
Non-operating revenues	
Interest earnings	16,068
Capital grant	16,000
Other	501
 Total Revenues	 <u>478,262</u>
Operating Expenses:	
Telephone	36,411
Administrative salary and payroll taxes	14,862
Dispatcher	30,000
Lease/rental	84,188
Professional services	12,125
Other	48,299
Depreciation	94,176
 Total Expenses	 <u>320,061</u>
 Increase in Net Assets	 <u>\$ 158,201</u>

Operating revenues are derived primarily from phone service providers based on fixed fees on their customers. As the fees have remained constant for several years this is generally a stable revenue source. This year decreased due to an reduction in the amount received from the State Emergency Communications Board for grants.

Expenses decreased \$16,209, which was reflected in the original operating budget. In June, Marshall County Emergency Communication District paid \$30,000 to the City of Lewisburg to help defray the cost of the dispatch supervisor.

BUDGETARY HIGHLIGHTS

The District adopts annual operating and capital budgets outlining the estimated expenditures for programs and projects authorized by the District's board on a cash basis. There were revisions made to the 2010 budget as the need arose for adjustments.

For the year 2010, the District's operating budget was amended to equal the actual operating expenses at year end.

**MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

For 2010 capital expenditures were less than the adopted budget.

CAPITAL ASSETS AND RELATED FUNDING

Capital Assets

At June 30, 2010 the District had \$327,003 invested in office and communications equipment, and a tower. This amount represents a net decrease (considering additions, deletions, and depreciation) of \$58,290 from last year.

Capital Assets at Year-end

Communications equipment and tower	\$ 1,036,093
Accumulated depreciation	(709,090)
Total	\$ <u>327,003</u>

This year's additions of \$35,886 represented the addition of small office and communications equipment.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

As noted earlier the District's primary source of revenue is telephone service fees which were increased in 2005. The increase in service fee rates was in effect through June 2010.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Our financial report is designed to provide citizens and rate payers a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Linda Haislip, Administrative Assistant, at the Marshall County Emergency Communication District, PO Box 2786, Lewisburg, Tennessee 37091, telephone number (931)359-9911.

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
 PROPRIETARY FUND TYPE
 STATEMENT OF NET ASSETS
 JUNE 30, 2010

ASSETS

Current Assets

Cash and cash equivalents	\$ 336,295
Investments	681,589
Accrued interest receivable	1,621
Accounts receivable	15,123
Due from State Emergency Comm. Board	11,638
Prepaid expense	21,865
<u>Total Current Assets</u>	<u>1,068,131</u>

Capital Assets

Furniture and fixtures	56,116
Communications equipment	613,827
Office equipment	8,003
Other fixed assets	358,147
<u>Total Capital Assets</u>	<u>1,036,093</u>
Accumulated depreciation	(709,090)
<u>Capital Assets, net</u>	<u>327,003</u>

<u>TOTAL ASSETS</u>	<u>\$ 1,395,134</u>
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LIABILITIES

<u>Current Liabilities</u>	<u>\$ 0</u>
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Net Assets

Invested in capital assets	327,003
Unrestricted net assets	1,068,131
<u>Total Net Assets</u>	<u>1,395,134</u>

<u>TOTAL LIABILITIES</u>	<u>\$ 1,395,134</u>
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See notes to financial statements.

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
 PROPRIETARY FUND TYPE
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 YEAR ENDED JUNE 30, 2010

Operating Revenues

Emergency telephone service charges	\$ 245,794
State Emergency Comm. Board-shared wireless charge	71,113
State Emergency Comm. Board-operational funding	128,786
<u>Total Operating Revenues</u>	<u>445,693</u>

Operating Expenses

Salaries and Wages	
ADDR Coordinator	13,770
Supervisor-dispatcher	30,000
Employee Benefits	
Social Security	854
Medicare	200
Unemployment insurance	38
Contracted Services	
Advertising	383
Audit services	3,125
Legal services	9,000
Lease/rental-communications equipment	78,588
Lease/rental-buildings and facilities	5,600
Maintenance and repairs-communications equipment	19,065
Other consultants	425
Supplies and Materials	
Office supplies	218
Postage	182
Utilities	1,437
Telephone	36,411
Other Charges	
Board meeting expenses	298
Dues and memberships	958
Insurance-liability	6,448
Insurance-vehicle	223
Premiums on surety bonds	946
Training expenses	7,273
Travel expenses	10,355
Small equipment purchases	88
Depreciation	94,176
<u>Total Operating Expenses</u>	<u>320,061</u>

<u>Operating Income</u>	125,632
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Non-operating Income & Expenses

Interest income	16,068
Other	501
State Emergency Comm. Board-grant	16,000

<u>Increase in Net Assets</u>	<u>158,201</u>
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Net Assets - beginning of year	1,236,933
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Net Assets - end of year	\$ <u>1,395,134</u>
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See notes to financial statements.

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
 PROPRIETARY FUND TYPE
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:	
Cash received for Emergency Telephone Service Charges	\$ 267,284
Cash received from State Emergency Communication Board	226,594
Cash received from miscellaneous revenues	15,876
Cash payments to employees	(43,770)
Cash payments for goods and services	(182,494)
Net cash provided (used) by operating activities	<u>283,490</u>
Cash flows from capital and related financing activities:	
Acquisition of equipment	(35,886)
Net cash provided (used) by capital and related financing activities	<u>(35,886)</u>
Cash flows from investing activities:	
Increase in investment CD	(16,256)
Net cash provided (used) by investing activities	<u>(16,256)</u>
Net increase (decrease) in cash	231,348
Cash and cash equivalents at July 1, 2009	104,947
Cash and cash equivalents at June 30, 2010	\$ <u>336,295</u>

Reconciliation of Operating Income to Net Cash Flow from Operating Activities
 For the Year Ended June 30, 2010

Increase in Net Assets	\$ 158,201
Adjustment to Reconcile	
Depreciation	94,176
(Increase) decrease in accounts receivable	20,797
(Increase) decrease in due from State ECB	10,640
(Increase) decrease in prepaid expenses	782
Increase (decrease) in accrued payroll taxes	(1,106)
Net Cash Provided (Used) by Operating Activities	\$ <u>283,490</u>

See notes to financial statements.

MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. ORGANIZATION AND REPORTING ENTITY:

The Marshall County Emergency Communication District (the "District") was organized under the *Tennessee Emergency Communication District Law* for the purpose of providing an emergency number to shorten the time required for residents of Marshall County, Tennessee to request emergency services. The District is governed by a board of directors appointed by the Board of Commissioners of Marshall County. The district is a component of Marshall County, but operates as a stand-alone operation. The District has to present its budget to the County Clerk for the County Commissioners, but the Commissioners do not approve the budget. The District must obtain County Commission approval before the issuance of most debt and the County Commission has the ability to adjust the District's service charges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Policies - The District has adopted the policy of following Governmental Accounting Standards Board (GASB) Statement No. 20 option number one in accordance with Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts. The District only follows GASB Standards issued subsequent to November 30, 1989. These financial statements have been presented in accordance with GASB Statement No. 34 and the format outlined in the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts.

Method of Accounting - The District keeps records and prepares its financial statements and budgets on the cash basis method of accounting. The accompanying financial statements are prepared on the accrual basis, whereby revenues are recognized when earned and measurable and expenses when incurred, if measurable. Revenues from telephone charges are recognized in the period they are earned by the phone service supplier. This is in accordance with policies set forth by the Governmental Accounting Standards Board, which the District is required to follow by the Tennessee Office of the Comptroller.

Equipment - The District's equipment is stated at cost and is depreciated on the straight-line method using an estimated useful life of five to ten years. Assets with a cost of \$2,500 or more are capitalized. Maintenance and repairs are charged to expenses as incurred.

Cash and Cash Equivalents - For the purpose of the statement of cash flows, the District considers all highly liquid investments with original maturities of three months or less to be cash or cash equivalents.

Operating and Non-operating Revenues - Operating revenues are emergency telephone charges. Non-operating revenues include interest income and grant income.

MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

3. CASH AND CERTIFICATES OF DEPOSIT:

All deposits with financial institutions must be secured by either FDIC deposit insurance or the depository bank must collateralize the deposits in excess of FDIC coverage. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for the purposes of credit risk disclosure.

The District's carrying amount of cash and certificates of deposit was \$1,017,884 at June 30, 2010 while the banks' reported balance was \$1,017,884 at June 30, 2010. Accounts are covered by either FDIC or NSUA up to \$250,000 at each institution. The uninsured balance as of June 30, 2010 was \$-0-.

4. INVESTMENTS:

The District is authorized to make direct investments in bonds, notes, or treasury bills of the U. S. Government and obligations guaranteed by the U. S. Government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. Longer investments may be made if various restrictions set out in state law are followed.

Investments at June 30, 2010 consist of certificates of deposit with maturities ranging from three months to two years. These investments are reported at fair value.

5. CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments, as previously explained. The District has no investment policy that would further limit its investment choices. The District chooses to limit its investments to certificates of deposits in banks covered by FDIC insurance, NCUA insurance or which participate in the bank collateral pool.

MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

6. PREPAID LEASE

The District entered into an agreement with the City of Lewisburg, Tennessee, on October 10, 1996. The agreement is for (20) years and the consideration was \$2,000 per year, which could be paid in advance. The District paid the full \$40,000 in advance. The yearly cost is expensed to occupancy cost. The City will house #911 equipment and supply dispatchers trained to receive emergency phone calls and transfer those calls to the appropriate agency.

7. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

The following summarizes changes in equipment and leasehold improvements for the years ended June 30:

	Beginning			Ending
<u>Fixed Assets</u>	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
Communication equipment	\$ 582,141	\$ 31,686		\$ 613,827
Furniture and fixtures	64,118			64,118
Tower property	107,530			107,530
Improvements	0	4,200		4,200
Stored equipment	<u>246,418</u>			<u>246,418</u>
	<u>1,000,207</u>	<u>35,886</u>		<u>1,036,093</u>
 <u>Accumulated Depreciation</u>				
Communication equipment	271,247	71,816		343,063
Furniture and fixtures	23,909	6,685		30,594
Tower property	81,948	10,024		91,972
Improvements	0	350		350
Other	<u>237,810</u>	<u>5,301</u>		<u>243,111</u>
	<u>614,914</u>	<u>94,176</u>		<u>709,090</u>
 <u>Fixed Assets (net)</u>	 <u>\$ 385,293</u>			 <u>\$ 327,003</u>

8. ACCOUNTS RECEIVABLE

The accounts receivable consists of amounts due from the various telephone companies for emergency telephone surcharges collected prior to year-end and not remitted until after June 30, 2010.

9. RISK FINANCING AND RELATED INSURANCE ISSUES:

The District's liability is limited. The board/ management is covered by a management liability policy. The District also holds three statutory bonds on the Chairman, Secretary/Treasurer and the Addressing Coordinator/Bookkeeper. The District carries a business auto liability policy and a commercial package policy to cover property, etc. The District only furnishes equipment to

MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

the City or County agencies. Neither the City nor the District assumes any liability for any agency's failure to equip, staff or train their agency or personnel. The District operates as a support unit for these agencies. The District has not experienced any claims or losses in the prior seven years.

10. BUDGETS AND BUDGETARY ACCOUNTING:

An operating budget is legally required to be adopted each year for the purpose of controlling the expenditures on a line item level of control. The budgets are prepared and maintained on the cash basis. Amendments are made when considered necessary. The District adopted a budget at the beginning of the year and made appropriate amendments as needed during the year so that the final budget equaled the actual revenues and expenditures at year end.

11. SUBSEQUENT EVENTS

There have been no events occurring subsequent to financial statement date that require disclosure.

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Actual</u> <u>Cash Basis</u>	<u>Budget</u> <u>Cash Basis</u>	<u>Variance</u> <u>Over (Under)</u>
<u>Cash Revenues</u>			
Emergency telephone service charges	\$ 267,933	\$ 260,800	\$ 7,133
TECB - shared wireless charge	81,753	50,880	30,873
TECB - operational funding	128,841	86,169	42,672
Interest income	15,156	8,000	7,156
Other	501	0	501
TECB - grants	<u>16,000</u>	<u>117,700</u>	<u>(101,700)</u>
<u>Total Cash Basis Revenues</u>	<u>510,184</u>	<u>523,549</u>	<u>(13,365)</u>
<u>Cash Expenses</u>			
Salaries-part-time personnel	13,770	13,770	0
Dispatcher	30,000	30,000	0
Social Security	1,264	1,264	0
Medicare	296	296	0
Unemployment compensation	38	38	0
Address/mapping expense	0	3,000	3,000
Advertising	383	383	0
Auditing services	3,125	7,000	3,875
Legal services	9,000	9,000	0
Maintenance agreements	12,918	26,262	13,344
Lease/rental communication equipment	85,137	78,588	(6,549)
Lease/rental building	3,600	0	(3,600)
Maintenance & repairs - communications equipment	702	5,000	4,298
Maintenance & repairs - office equipment	45	3,000	2,955
Other consultants	425	13,000	12,575
Supplies and materials	218	1,000	782
Postage	182	500	318
Small equipment purchases	35,973	35,886	(87)
Utilities	1,437	1,900	463
Telephone	36,411	43,000	6,589
Bank charges	0	100	100
Board meeting expenses	297	800	503
Dues and memberships	958	1,200	242
Liability insurance	6,489	6,500	11
Insurance - vehicles	223	300	77
Surety bond premiums	975	1,000	25
Training expenses	7,273	10,886	3,613
Travel expenses	<u>10,355</u>	<u>16,652</u>	<u>6,297</u>
<u>Total Cash Basis Expenses</u>	<u>261,494</u>	<u>310,325</u>	<u>48,831</u>
<u>Cash Basis Net Income</u>	<u>\$ 248,690</u>	<u>\$ 213,224</u>	<u>\$ 35,466</u>

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
RECONCILIATION OF CASH BASIS ACTUAL TO GAAP BASIS FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Cash Basis</u>	<u>Adjustment</u>		<u>Accrual</u>
<u>Operating Revenues</u>				
Emergency telephone service charges	\$ 267,933	\$ (22,139)	(1)	\$ 245,794
TB Emergency Communications Board	<u>210,594</u>	<u>(10,695)</u>	(1)	<u>199,899</u>
<u>Total Operating Revenues</u>	<u>478,527</u>	<u>(32,834)</u>		<u>455,693</u>
<u>Operating Expenses</u>				
Salaries	43,770			43,770
Social Security	1,264	(410)	(2)	854
Medicare	296	(96)	(2)	200
Unemployment tax	38			38
Advertising	383			383
Auditing services	3,125			3,125
Legal services	9,000			9,000
Other consultants	425			425
Maintenance agreements	12,918	6,147	(3)	19,065
Lease/rental communications equipment	85,137	(6,549)		78,588
Lease/rental buildings and facilities	3,600	2,000	(3)	5,600
Maint & repairs communications equipment	746	(746)	(3)	0
Supplies and materials	218			218
Postage	182			182
Equipment purchases	35,973	(35,885)	(5)	88
Depreciation		94,176	(4)	94,176
Telephone and utilities	37,848			37,848
Board meeting expenses	298			298
Dues and memberships	958			958
Insurance liability	6,489	(41)	(3)	6,448
Insurance vehicles	223			223
Premiums on surety bonds	975	(29)	(3)	946
Training expenses	7,273			7,273
Travel expenses	<u>10,355</u>			<u>10,355</u>
<u>Total Operating Expenses</u>	<u>261,494</u>	<u>58,567</u>		<u>320,061</u>
<u>Non-Operating Revenues</u>				
Interest income	15,156	912	(2)	16,068
Other	501			501
State Emergency Communications Board	<u>16,000</u>			<u>16,000</u>
<u>Total Non-Operating Revenues</u>	<u>31,657</u>	<u>912</u>		<u>32,569</u>
<u>Total Revenue</u>	510,184	(31,922)		478,262
<u>Total Operating Expenses</u>	<u>261,494</u>	<u>58,567</u>		<u>320,061</u>
<u>Net Operating Income (Loss)</u>	<u>248,690</u>	<u>(90,489)</u>		<u>158,201</u>

- (1) Difference is due to accounts receivable entry to convert from cash to accrual basis.
- (2) Difference is due to entry to correct from cash to accrual basis.
- (3) Difference is due to entry to record and expense prepaid items.
- (4) Depreciation is not recorded on cash basis books.
- (5) Reclassified items to fixed assets.

Reconciliation of Cash Basis to Accrual Basis

Depreciation	\$ (94,176)
Purchases of fixed assets	35,885
Increase in accrued interest receivable	192
Decrease in current receivable	(32,715)
Decrease in prepaid expenses	(781)
Decrease in current payable	<u>1,106</u>
<u>Net Reconciliation Cash to Accrual</u>	<u>(90,489)</u>
 Increase in Net Assets	 158,201
 Net Assets - July 1, 2009	 1,236,933
 Net Assets - June 30, 2010	 \$ <u>1,395,134</u>

**MARSHALL COUNTY EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF BOARD MEMBERS
FOR THE YEARS ENDED JUNE 30, 2010**

<u>Name and Address</u>	<u>Position</u>	<u>Term</u>
Chris Gilbert	Chairman	January 25, 2010-January 23, 2014
Robert Hopkins	Vice-Chairman	January 25, 2010-January 23, 2014
John Smiley	Secretary/Treasurer	April 2008-April 2012
Joe Rozell	Board Member	April 2008-April 2012
Sheriff Leslie Helton	Board Member	February 2009-February 2013
Chief Chuck Forbis	Board Member	February 2009-February 2013
Eddie Fuller	Board Member	February 2009-February 2013
Larry Williams	Board Member	April 2008-April 2012
James Wherley	Board Member	January 25, 2010-January 23, 2014

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

To the Board of Directors
Marshall County Emergency Communication District
Lewisburg, Tennessee

We have audited the financial statements of Marshall County Emergency Communication District, a component unit of Marshall County, as of and for the years ended June 30, 2010, and have issued our report thereon dated January 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Marshall County Emergency Communication District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marshall County Emergency Communication District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Marshall County Emergency District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Marshall County Emergency Communication District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is a more than remote likelihood that a misstatement of the Marshall County Emergency Communication District's financial statements that is more than inconsequential will not be prevented or detected by the Marshall County Emergency Communication District's internal control. We consider the deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Marshall County Emergency Communication District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and *Tennessee Code Annotated, Section 7-86-120*.

Marshall County Emergency Communication District's response to the finding identified in our audit is disclosed in the accompanying schedule of findings. We did not audit Marshall County Emergency Communication District's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Directors, its management, and the County Mayor and Board of Commissioners of Marshall County, Tennessee, and should not be used by anyone other than these specified parties.

Parsons and Associates

Parsons and Associates

January 11, 2011

MARSHALL COUNTY EMERGENCY COMMUNICATION DISTRICT
SCHEDULE OF FINDINGS
YEARS ENDED JUNE 30, 2010

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Marshall County Emergency Communication District.
2. One control deficiency is reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. The finding is considered a significant deficiency.
3. No instances of noncompliance material to the financial Statements of Marshall County Emergency Communication District were disclosed during the audit.

SIGNIFICANT DEFICIENCY

2009-1 Separation of duties

Condition: The District has a limited staff (one part-time employee) and consequently is unable to properly segregate the control of funds from record keeping duties thus resulting in a significant deficiency in internal control. This condition has existed in prior years and is expected to continue in the future.

Criteria: Internal controls should be in place which provide reasonable assurance that funds of the district are properly safeguarded and recorded.

Effect: Because of the lack of separation of duties, the possibility exists that funds may not be properly accounted for and safeguarded.

Recommendation: Procedures should be implemented requiring as much separation of duties as possible and involving others from the Board.

MANAGEMENT RESPONSE

The Board does understand the impact of this deficiency in internal control and realizes that there is no practical way to remedy the shortage of personnel. Steps have been taken for the Treasurer to review all receipts prior to deposit and to closely monitor the financial condition and results of operations. The board reviews all transactions at the monthly Board meeting. Dual signatures are also required on all disbursements.